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SUBJECT: GUATEMALA LABOR LEADER ARRESTED ON MONEY
LAUNDERING AND TAX EVASION CHARGES

This is sensitive but unclassified. Please protect
accordingly.

¶1. (U) Guatemalan labor leader Nery Barrios was arrested April 9 and detained on charges of money laundering, tax evasion, and embezzlement following four months of investigation by the Prosecutor General's Office. The charges allege that Barrios, leader of the Labor and Popular Action Unit (UASP), conspired to cheat farm workers in a fraudulent land transaction.

¶2. (U) In 2006 the parastatal company managing Guatemala's Pacific port, Puerto Quetzal, evicted 172 families who had illegally occupied vacant land belonging to the Port Authority. Labor leader Nery Barrios sought financial compensation for the displaced families from the Port Authority, and in August 2006, Puerto Quetzal gave the legal representative of the 172 families 5.6 million quetzales (roughly USD 750,000) to purchase land to resettle the former squatters. The legal representative of the families gave Barrios 5 million quetzales to purchase land for the families, which Barrios deposited in his personal bank account. The prosecution alleges that Barrios used 88,000 quetzales of that money to pay off a personal loan, 100,000 quetzales to purchase a certificate of deposit, and 4.6 million quetzales to buy land from a personal friend. The friend did not have title to the land he purportedly sold Barrios, so the 172 families are still without land and the 5.6 million quetzales have vanished.

¶3. (U) The allegation of tax evasion stems from the fact that Barrios claims he paid 5 million quetzales for the land, but only declared its value at 100,000 quetzales to the tax authorities. Barrios purchased the property from Nery Giovanni Cachupe even though he allegedly was aware that Cachupe did not have clear title to the property, which had been in dispute since 2005. (According to the press, Cachupe is notorious in Escuintla for shady land deals.) Barrios' lawyer has argued that the accusations are groundless and that Cachupe had promised to return the money Barrios had given him. Barrios has maintained his innocence and said that he has already returned Q1 million to various families. Barrios remains in custody, while police are seeking the whereabouts of Cachupe.

¶4. (SBU) Comment: Barrios, 51, is a highly visible labor activist and controversial character who is viewed by many in the labor community as effective while regarded by the business community as a troublemaker with a mercenary agenda. In the 1980s, he joined a Marxist guerrilla group (ORPA)

that is rumored to have expelled him for embezzlement. Two years ago, he called a press conference in front of Congress to publicly accuse several prominent businesses of tax evasion and GOG complicity and to press for prosecution. He has frequently criticized Prosecutor General Florido for his inefficiency and publicly accused Berger's son and son-in-law of using the First Lady's Office as a cover-up for contraband activity at Puerto Quetzal.

Derham